

**NAPIER<sup>o</sup>**  
**PORT**  
*Te Herenga Waka o Ahuriri*

MONTE ROSA

# STANDING STRONG WITH OUR REGION

HALF YEAR FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 MARCH 2020

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## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Notes	31 March 2020 Unaudited \$'000	31 March 2019 Audited \$'000
<b>Revenue</b>	5	<b>52,284</b>	<b>48,658</b>
Employee benefit expenses		16,029	13,763
Maintenance expenses		4,524	3,908
Other operating expenses		9,995	8,908
<b>Operating expenses</b>		<b>30,548</b>	<b>26,579</b>
<b>Result from operating activities</b>		<b>21,736</b>	<b>22,079</b>
Depreciation, amortisation and impairment expenses		5,989	5,829
Other expenses/(income)	6	327	(25)
IPO transaction and related costs		(201)	-
Share of loss and impairment of investment in joint venture		-	899
<b>Profit before finance costs and tax</b>		<b>15,621</b>	<b>15,376</b>
Net finance (income)/costs		(126)	2,026
<b>Profit before income tax</b>		<b>15,747</b>	<b>13,350</b>
Income tax expense	7	2,920	4,190
<b>Profit for the period attributable to the shareholders of the Company</b>		<b>12,827</b>	<b>9,160</b>
<b>EARNINGS PER SHARE:</b>			
Basic earnings per share	3	0.06	0.08
Diluted earnings per share	3	0.06	0.08

The above income statement should be read in conjunction with the accompanying notes.

## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<b>Profit for the period attributable to the shareholders of the Company</b>	<b>12,827</b>	<b>9,160</b>
<b>Other comprehensive income</b>		
<i>Items that will be reclassified to profit or loss:</i>		
Changes in fair value of cash flow hedges	-	(1,483)
Cash flow hedges transferred to profit or loss	-	773
Deferred tax on changes in fair value of cash flow hedges	-	199
<i>Items that will not be reclassified to profit or loss:</i>		
Cash flow hedges transferred to property, plant and equipment	(200)	-
Deferred tax on changes in fair value of cash flow hedges	56	-
Deferred tax on revaluation of sea defences	-	4,374
<b>Total comprehensive income for the period attributable to the shareholders of the Company</b>	<b>12,683</b>	<b>13,023</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Notes	Share Capital \$000	Revaluation Reserve \$000	Hedging Reserve \$000	Share-based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 October 2019</b>		<b>246,404</b>	<b>75,451</b>	<b>144</b>	<b>333</b>	<b>13,149</b>	<b>335,481</b>
Profit for the period		-	-	-	-	12,827	12,827
Other comprehensive income		-	-	(144)	-	-	(144)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(144)</b>	<b>-</b>	<b>12,827</b>	<b>12,683</b>
Dividends	8	11	-	-	-	(5,000)	(4,989)
Transaction costs arising on share issuance		101	-	-	-	-	101
Share-based payments		-	-	-	27	-	27
Fair Share loans to employees		25	-	-	-	-	25
<b>Total transactions with owners in their capacity as owners</b>		<b>137</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>(5,000)</b>	<b>(4,836)</b>
<b>Total movement in equity</b>		<b>137</b>	<b>-</b>	<b>(144)</b>	<b>27</b>	<b>7,827</b>	<b>7,847</b>
<b>Balance at 31 March 2020 (Unaudited)</b>		<b>246,541</b>	<b>75,451</b>	<b>-</b>	<b>360</b>	<b>20,976</b>	<b>343,328</b>
<b>Balance at 1 October 2018</b>		<b>21,000</b>	<b>71,077</b>	<b>(3,823)</b>	<b>-</b>	<b>124,158</b>	<b>212,412</b>
Profit for the period		-	-	-	-	9,160	9,160
Other comprehensive income		-	4,374	(511)	-	-	3,863
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>4,374</b>	<b>(511)</b>	<b>-</b>	<b>9,160</b>	<b>13,023</b>
Dividends	8	-	-	-	-	(3,958)	(3,958)
<b>Total transactions with owners in their capacity as owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,958)</b>	<b>(3,958)</b>
<b>Total movement in equity</b>		<b>-</b>	<b>4,374</b>	<b>(511)</b>	<b>-</b>	<b>5,202</b>	<b>9,065</b>
<b>Balance at 31 March 2019 (Audited)</b>		<b>21,000</b>	<b>75,451</b>	<b>(4,334)</b>	<b>-</b>	<b>129,360</b>	<b>221,477</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	31 March 2020 Unaudited \$000	30 Sept 2019 Audited \$000
<b>EQUITY</b>		
Share capital	246,541	246,404
Reserves	75,811	75,928
Retained earnings	20,976	13,149
	<b>343,328</b>	<b>335,481</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	16,752	18,436
Lease liabilities	629	734
Provision for employee entitlements	458	436
	<b>17,839</b>	<b>19,606</b>
<b>CURRENT LIABILITIES</b>		
Taxation payable	3,453	3,358
Lease liabilities	207	200
Trade and other payables	15,166	12,471
	<b>18,826</b>	<b>16,029</b>
	<b>379,993</b>	<b>371,116</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	338,378	317,185
Intangible assets	1,029	1,110
Investment properties	8,200	8,200
	<b>347,607</b>	<b>326,495</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	16,125	31,224
Trade and other receivables	16,261	13,197
Derivative financial instruments	-	200
	<b>32,386</b>	<b>44,621</b>
	<b>379,993</b>	<b>371,116</b>

On behalf of the Board of Directors, who authorised the issue of the financial statements on 25 May 2020.



Chairman



Director

The above statement of financial position should be read in conjunction with the accompanying notes.

## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Receipts from customers	48,845	43,140
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(30,628)	(25,703)
IPO transaction and related costs	(478)	-
Net finance costs received/(paid)	126	(2,132)
Income taxes paid	(4,453)	(4,405)
Net GST received	14	440
<b>Net cash flows generated from operating activities</b>	<b>13,426</b>	<b>11,340</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Proceeds from sale of property, plant and equipment	58	25
<i>Cash was applied to:</i>		
Acquisition of property, plant and equipment and intangible assets	(23,222)	(7,533)
<b>Net cash flows used in investing activities</b>	<b>(23,164)</b>	<b>(7,508)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Proceeds from loans and borrowings	-	200
Repayment of Fair Share loans by employees	36	-
<i>Cash was applied to:</i>		
Repayment of lease liabilities	(98)	(93)
Transaction costs arising on share issuance	(299)	-
Dividends paid	(5,000)	(3,958)
<b>Net cash flows used in financing activities</b>	<b>(5,361)</b>	<b>(3,851)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,099)</b>	<b>(19)</b>
Cash and cash equivalents at beginning of the period	31,224	(109)
<b>Cash and cash equivalents at end of the period</b>	<b>16,125</b>	<b>(128)</b>

## NAPIER PORT HOLDINGS LIMITED

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 MARCH 2020

## Reconciliation of profit for the period to cash flows from operating activities

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<b>Profit for the period</b>	<b>12,827</b>	<b>9,160</b>
<b><i>Adjust for non-cash items:</i></b>		
Depreciation and amortisation	5,989	5,829
Net loss/(gain) on sale of property, plant and equipment	18	(25)
Share of loss and impairment from investment in joint venture	-	899
Share-based payments	27	-
Deferred tax	(1,628)	(212)
	<b>4,406</b>	<b>6,491</b>
<b><i>Other adjustments:</i></b>		
Increase/(decrease) in current tax	95	(2)
Increase in non-current provision	22	57
	<b>117</b>	<b>55</b>
<b><i>Movements in working capital:</i></b>		
Increase in trade and other receivables	(3,130)	(5,528)
(Decrease)/increase in trade and other payables	(794)	1,162
	<b>(3,924)</b>	<b>(4,366)</b>
<b>Net cash flows generated from operating activities</b>	<b>13,426</b>	<b>11,340</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.



## NAPIER PORT HOLDINGS LIMITED

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

## 1 REPORTING ENTITY

The interim financial statements presented are those of Napier Port Holdings Limited and its subsidiaries (together "the Group"). Napier Port Holdings Limited is incorporated under the Companies Act 1993 and domiciled in New Zealand. Napier Port Holdings Limited's shares are publicly traded on the New Zealand Stock Exchange (NZX).

## 2 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Companies Act 1993 and Financial Markets Conduct Act 2013.

### STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with New Zealand equivalents to International Accounting Standard 34, Interim Financial Reporting (NZ IAS 34) and International Accounting Standard 34, Interim Financial Reporting. The Group is a for-profit entity for NZ GAAP purposes. These interim financial statements do not include all the information normally included in an annual financial report. Accordingly, these should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2019.

### BASIS OF MEASUREMENT

The interim financial statements have been prepared on a historical cost basis, except for sea defences, investment properties and derivative financial instruments, which are measured at fair value. They are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 September 2019.

The weighted average number of shares on issue for the calculation of basic and diluted earnings per share for the six months ended 31 March 2019 has been retrospectively restated to 110,000,000 shares (previously 21,000,000 shares) following the initial public offering (IPO) in August 2019. As a result basic earnings per share for the six months ended 31 March 2019 has been restated to \$0.08 per share (previously \$0.44 per share).

## 4 UNCERTAINTIES, ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty, are consistent with those applied to the Group's consolidated financial statements for the year ended 30 September 2019 other than the impact of the COVID-19 pandemic as described below.

As at the balance sheet date and as at the date of authorisation of these financial statements, the Group was operating in conditions affected by the COVID-19 virus global pandemic. The potential economic and public health consequences of this pandemic increase uncertainties regarding the Group's future trading results, including those arising from the pandemic's potential impact on our direct and indirect cargo customers. Risks that the Group is exposed to include financial risk, including credit risk and market risks, and the carrying value of assets, as further described in the Group's annual financial report. The revised economic situation at 31 March 2020 has required additional consideration of the expected credit loss in relation to accounts receivable, of impairment, and of the fair value of investment property. These additional considerations have resulted in an increase in the expected credit loss allowance (Note 6) but has not resulted in significant changes to the recorded amounts of other assets or liabilities. The impact of the COVID-19 pandemic on trading for the six months to 31 March 2020 is further described in the accompanying 2020 Half Year Report.

## 5 REVENUE AND SEGMENT REPORTING

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<i>Disaggregation of revenue</i>		
Port operations	51,240	47,683
Property operations	1,044	975
<b>Operating income</b>	<b>52,284</b>	<b>48,658</b>

### ACCOUNTING POLICIES:

#### *Operating segments*

The Group determines its operating segments based on internal information that is regularly reported to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM).

The Group operates in one reportable segment being Port Services. This consists of providing and managing port services and cargo handling infrastructure through Napier Port. Within the Port Services reportable segment the following operating segments have been identified: marine services, general cargo services, container services, port pack services and depot services. These have been aggregated on the basis of similarities in economic characteristics, customers, nature of services and risks.

The Group operates in one geographic area, that being New Zealand. During the period the Group had a single customer which comprised 11% of total revenue.

## 6 OTHER EXPENSES/(INCOME)

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<i>Included within other expenses/(income) are:</i>		
Loss/(gain) on sale of assets	18	(25)
Expected credit loss allowance	309	-
<b>Other expenses/(income)</b>	<b>327</b>	<b>(25)</b>

In light of the COVID-19 impact on credit risks at the reporting date, the Group has recognised an increase in expected credit loss allowance of \$309,000 in respect of its trade receivable balance at 31 March 2020. To measure the expected credit loss allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with their shared credit risk characteristics and global credit rating historical industry information applied to estimate future default and loss percentage rates. There have been no specific trade receivable balances written-off during the period.

## 7 INCOME TAX

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
<b>Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate</b>		
Profit before income tax	15,747	13,350
Income tax at 28%	4,409	3,738
Adjustment to prior year tax	17	161
Tax effect of non-deductible items	2	291
Reinstatement of tax depreciation on buildings	(1,508)	-
<b>Income tax expense</b>	<b>2,920</b>	<b>4,190</b>
<i>The income tax expense is represented by:</i>		
Current tax on profits for the period	4,526	4,323
Adjustments for current tax of prior periods	22	79
Current income tax expense	4,548	4,402
Deferred income tax expense for the period	(1,623)	(294)
Adjustments for deferred tax of prior periods	(5)	82
Deferred income tax expense	(1,628)	(212)
<b>Income tax expense</b>	<b>2,920</b>	<b>4,190</b>

On 26 March 2020 the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill was enacted which reinstated the ability for companies to claim depreciation on buildings that have an estimated useful life of 50 years or more from the 2020-21 income tax year. The reinstatement of tax depreciation on buildings required the Group to reinstate the tax base of its buildings. The Group has also removed the effect of the initial recognition exemption on those buildings acquired post May 2010. This net change has resulted in a decrease in the deferred tax liability of \$1,508,000 and a corresponding income tax benefit in the current period.

## 8 DIVIDENDS

	31 March 2020 Unaudited \$000	31 March 2019 Audited \$000
Dividends paid during the period	5,000	3,958

## 9 RELATED PARTY TRANSACTIONS AND BALANCES

Related Party	31 March 2020 Unaudited \$000
Hawke's Bay Regional Council	
Rates, levies and consents	31
Subvention payment	7
Lease income	(6)
Hawke's Bay Regional Investment Company	
Dividends	2,750
Subvention payment	217

The Group has utilised tax losses from the Hawke's Bay Regional Council and Hawke's Bay Regional Investment Company during the period to reduce its taxable income. Napier Port has made subvention payments to each party for the tax benefit of these losses.

## 10 COMMITMENTS & CONTINGENCIES

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### **CAPITAL EXPENDITURE COMMITMENTS**

At balance date there were commitments in respect of contracts for capital expenditure totalling \$139,428,000 (2019: \$585,000).

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### **CONTINGENT LIABILITIES**

There were no material contingent liabilities at balance date (2019: Nil).

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## 11 EVENTS SUBSEQUENT TO BALANCE DATE

In April 2020, the Group applied for and received a wage subsidy of \$2 million as part of the New Zealand Government's COVID-19 Economic Response Package. This was on the basis of meeting all of the criteria, including a forecast reduction in revenue of at least 30%, in any one month during the period April to June 2020, compared to the prior year. In the event a 30% decline does not actually eventuate, the Group intends to repay the wage subsidy received.

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## Review Report to the Shareholders of Napier Port Holdings Limited

We have reviewed the consolidated interim financial statements of Napier Port Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 1 to 10, which comprise the consolidated statement of financial position of the Group as at 31 March 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review work, for this report, or for our findings.

### Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of consolidated interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### Reviewer's Responsibilities

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410"). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

The Auditor-General is the auditor of Napier Port Holdings Limited and its subsidiaries. Simon Brotherton, appointed by the Auditor-General, performs the annual audit of the Group using the staff and resources of Ernst & Young. As a result, and in compliance with NZ SRE 2410, Ernst & Young is required to comply with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.



## Basis of Statement

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the consolidated interim financial statements.

In addition to the audit and this review we have provided quality assurance over the risk assessment process of the Group. These services have not impaired our independence as auditor of the Group or in the performance of this review. Other than these engagements we have no relationship with, or interests in, the Group.

## Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements, set out on pages 1 to 10, do not present fairly, in all material respects, the financial position of the Group as at 31 March 2020 and its financial performance and cash flows for the six months period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 25 May 2020 and our findings are expressed as at that date.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Chartered Accountants  
Auckland, New Zealand

# DIRECTORY

## DIRECTORS

Alasdair MacLeod (Chairman)  
 Stephen Moir  
 Diana Puketapu  
 John Harvey  
 Vincent Tremaine  
 Rick Barker  
 Blair O'Keeffe

## SENIOR MANAGEMENT TEAM

Todd Dawson – Chief Executive  
 Kristen Lie – Chief Financial Officer  
 David Kriel – General Manager Commercial  
 Viv Bull – General Manager Culture and Community  
 Adam Harvey – General Manager Marine and Cargo  
 Andrea Manley – General Manager Strategy and Innovation  
 Kianoush Zia – General Manager Container Operations  
 Michel de Vos – General Manager Infrastructure Services

## REGISTERED OFFICE

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 LinkedIn: Napier Port  
 Twitter: @napierport  
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## BANKERS

Westpac New Zealand Limited  
 16 Takutai Square  
 Auckland 1010  
 New Zealand

Industrial and Commercial Bank  
 of China (New Zealand) Limited  
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 188 Quay Street  
 Auckland Central 1010  
 New Zealand

Industrial and Commercial Bank  
 of China (Asia) Limited  
 26/F ICBC Tower  
 Garden Road  
 Central Hong Kong

## SOLICITORS

Bell Gully  
 171 Featherston Street  
 Wellington  
 New Zealand

## AUDITORS

Ernst & Young  
 PO Box 490  
 Wellington 6140  
 On behalf of the Auditor-General

## SHARE REGISTRY

For enquiries about share transactions, dividend payments, or to change your address, please get in touch with:

Link Market Services Limited  
 PO Box 91976  
 Victoria Street West  
 Auckland 1142

Phone: +64 9 375 5998  
 Fax: +64 9 375 5990  
 Email: [napierport@linkmarketservices.co.nz](mailto:napierport@linkmarketservices.co.nz)

Copies of the annual report are available at [napierport.co.nz](http://napierport.co.nz).

## FINANCIAL CALENDAR

August 2020	2020 third quarter results announcement
30 September 2020	2020 financial year end
November 2020	2020 year end results announcement
December 2020	Annual meeting
31 March 2021	2021 half year end
May 2021	2021 half year results announcement

